

MINUTES

PLANNING COMMITTEE

January 19, 2017

A meeting of the Planning Committee of the County of Kaua'i, State of Hawai'i, was called to order by Mason K. Chock, Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Thursday, January 19, 2017, at 11:12 a.m., after which the following Members answered the call of the roll:

Honorable Arthur Brun
Honorable Ross Kagawa
Honorable JoAnn A. Yukimura
Honorable Mason K. Chock
Honorable Arryl Kaneshiro, Ex-Officio Member
Honorable Mel Rapozo, Ex-Officio Member

Excused: Honorable Derek S.K. Kawakami

Minutes of the January 4, 2017 Planning Committee Meeting.

Upon motion duly made by Councilmember Yukimura, seconded by Councilmember Brun, and carried by a vote of 4:0:1 (*Councilmember Kawakami was excused*), Minutes of the January 4, 2017 Planning Committee Meeting was approved.

The Committee proceeded on its agenda item as follows:

Bill No. 2644 A BILL FOR AN ORDINANCE AMENDING ZONING CONDITION IN ORDINANCE NO. PM-94-82 RELATING TO ZONING DESIGNATION IN HANĀMA'ULU, KAUA'I (*Amfac Property Development Corp.*) (ZA-2017-1) (**This item was Deferred.**)

(*Councilmember Kaneshiro was noted as not present.*)

Committee Chair Chock: Thank you. Can I have a motion so that we can discuss this?

Councilmember Kagawa moved to approve Bill No. 2644, seconded by Councilmember Brun.

Committee Chair Chock: Thank you. The motion is to approve. I believe everyone got the response from the Housing Agency that was requested during first reading, relating to when the six (6) month period would start and the permanent affordability question was answered. Do we have any questions for the Housing Agency at this time?

Councilmember Yukimura: Yes.

Committee Chair Chock: Without any objections, we will suspend the rules. Please come forth. I see our Deputy Planning Director here as well.

There being no objections, the rules were suspended.

GARY MACKLER, Housing Development Coordinator: Good morning, Councilmembers, Gary Mackler, for the record. I have Steven Franco with me, who is our Homebuyer Coordinator.

Committee Chair Chock: Councilmember Yukimura.

Councilmember Yukimura: Thank you for the answers to the questions that were submitted. On the second question which is: provide an evaluation of the possibility of the County developing sixteen (16) lots in an effort to retain permanent affordability of the units produced, just so that I can make sure I understand, you have a chart. It shows the lot cost and the unit cost, which is a total of four hundred twenty-five thousand dollars (\$425,000) as an estimated cost. Then, the income group that would be subsidized, then the home prices, and then the unit subsidy. So the home prices are leasehold prices, right?

Mr. Mackler: Yes, that is correct. That is what we would be selling the improvement on the lot for as a leasehold sale. Then, the column to the far right represents the amount of subsidy that would be left in the unit to actually produce that leasehold sale.

(Councilmember Kaneshiro was noted as present.)

Councilmember Yukimura: Okay, alright. What would be the total cost to the County? Maybe you show it someplace.

Mr. Mackler: Well for the County to purchase sixteen (16) improved lots, it would work out to one hundred twenty-five thousand dollars (\$125,000) per lot, so we are looking at a two million dollar (\$2,000,000) purchase price.

Councilmember Yukimura: Okay.

Mr. Mackler: Then, we made some assumptions for cost to construct the improvement to give you a more complete picture of a house and a lot.

Councilmember Yukimura: Where is the cost to the County of building a house and a lot?

Mr. Mackler: Actually, it is part of that table that is in the response that we drafted to the second question. It is just at the bottom. There is an asterisk which lets you know that we assumed a one thousand two hundred (1,200) square foot home at about two hundred fifty dollars (\$250) per square foot for

construction to come up with the cost of three hundred thousand dollars (\$300,000) per unit on top of the land acquisition cost.

Councilmember Yukimura: Oh, okay. I see. If the County were to buy the lot and construct, what is the total cost? You just have to do four hundred twenty-five thousand dollars (\$425,000) times...

Mr. Mackler: We are estimating...

Councilmember Yukimura: ...sixteen (16)?

Mr. Mackler: Yes, that is correct. It would actually be a little over six million dollars (\$6,000,000) in total financing that would have to be brought in to accomplish that.

Councilmember Yukimura: Okay. With the proposed D.R. Horton method, we would be delivering these homes to our residents with the subsidy, but without any County outlay of cash?

Mr. Mackler: Not with the subsidy. It would be where the County would not have any investment in the production of those thirty-two (32) duplex units that would be capitalized by D.R. Horton and sold, according to the purchase price limits established at one hundred forty percent (140%) of the median income.

Councilmember Yukimura: Okay. So, it would be sold at the highest price, the one hundred forty percent (140%) of the median income?

Mr. Mackler: Yes, because remember those would be fee simple sales, not leasehold sales. It would be a fee simple sale with a twenty (20) year buyback restriction.

Councilmember Yukimura: If we could come up with six million dollars (\$6,000,000), we could actually make the homes available at lower prices?

Mr. Mackler: Correct.

Councilmember Yukimura: And we could also have permanent affordability?

Mr. Mackler: Yes, but as part of that six million dollars (\$6,000,000), we would have to have financing that would allow us to leave subsidy because if you went out to get a private loan, you would have to repay it from a private lender. If we used federal funds that we typically use, such as our HOME Investment Partnership Program (HOME), that money we could leave in as a long-term subsidy, but you would have to find money if you are going to do leasehold sales that you can leave in as a long-term subsidy.

Councilmember Yukimura: That is the public capital that we need to have in order to do the work that we are doing, which is giving big subsidies?

Mr. Mackler: Yes. As you can see from that table, it does take some deep subsidies to make those leasehold sales work.

Councilmember Yukimura: And it actually really justifies the permanent affordability because we are giving the recipient such a huge subsidy.

Mr. Mackler: Yes.

Councilmember Yukimura: If we want the value of our subsidy to really live out and give us more years of affordability, so to speak...

Mr. Mackler: Absolutely. If we are investing that type of subsidy into a unit, we do not want to lose that affordability long-term.

Councilmember Yukimura: After ten (10)...

Mr. Mackler: No.

Councilmember Yukimura: Ten (10), or twenty (20), or thirty (30) years.

Mr. Mackler: No, we do not.

Councilmember Yukimura: Yes. The proposal before us is not the ideal arrangement and I think we are working on a long-term policy that will encourage more of the leasehold model. But for practicality purposes, for expediency, and because we lack the public capital at this point, we are saying, "Go forward with this." Is that pretty much...

Mr. Mackler: We are recommending to go forward with the County amending the Ordinance, with the Council approving the amendment, to allow D.R. Horton to produce thirty-two (32) duplex units for sale within the first phase of the Ho'oluana at Kohea Loa development.

Councilmember Yukimura: Okay. Thank you very much for this.

Mr. Mackler: You are welcome.

Councilmember Yukimura: I will be supporting it, but I want us to get to the place where we can provide much lower priced housing. I know that is in the second phase, so I want to work to accelerate that second phase and I want to ask the Housing Agency and the developer to help us do that. I hope we will establish some long-term policies so that we can get our first priority policy implemented. Thank you.

Mr. Mackler: Thank you.

Committee Chair Chock: Council Chair Rapozo.

Council Chair Rapozo: Thank you, Gary, for being here. I know I brought this up at the last meeting and I was not really sure if I got the answer. What

would prohibit the County from creating thirty-two (32) units on those sixteen (16) lots?

Mr. Mackler: I believe it had to do with the density question overall for that phase of the development. D.R. Horton has their own pro formas, I believe, that maybe...

Council Chair Rapozo: They can come up later.

Mr. Mackler: I do not know if I could answer your question well. I think perhaps Bob Bruhl may want to do that since he is here today.

Council Chair Rapozo: Or the Planning Department. Somebody from this County needs to know what would prohibit it. We will hear from them later, but I am more interested in hearing from the County.

Mr. Mackler: Oh, okay.

Council Chair Rapozo: What would prohibit us? Maybe it was not explored, but what would prohibit us from creating thirty-two (32) units on the sixteen (16) lots like the developer is doing? I want to hear from the County right now, not the developer. You will come up later. Please, somebody needs to know that answer on the County's side.

KA'ĀINA S. HULL, Deputy Planning Director: As far as zoning is concerned, there is no specific prohibition against developing units on those lots. In particular, for the affordable housing side, you can utilize the project development standards to actually change density.

Council Chair Rapozo: Correct.

Mr. Hull: I just want to say that as far as zoning is concerned, I am not sure if there are financial barriers, but far as zoning is concerned, there is no prohibition.

Council Chair Rapozo: I am talking about right now, if this Council wanted to say, "We are going to take the lots and we are going to put thirty-two (32) units on that lot," is there anything prohibiting us?

Mr. Hull: From the zoning side, I can say no. I cannot speak for the other State or County agencies, but from the zoning side, no.

Council Chair Rapozo: I am asking for the zoning part.

Mr. Hull: Okay.

Council Chair Rapozo: That is the only part we really have a say in. Is there any planning prohibition for us to purchase the lots and create thirty-two (32) units ourselves?

Mr. Hull: No.

Council Chair Rapozo: Gary, do you know of any other prohibition?

Mr. Mackler: I do not.

Council Chair Rapozo: I noticed the worksheets or your charts were based on sixteen (16) units, so if we went with thirty-two (32) units, the cost per units would somewhat come down.

Mr. Mackler: Somewhat.

Council Chair Rapozo: We would still have to purchase or pay for construction.

Mr. Mackler: Yes.

Council Chair Rapozo: Is the two hundred fifty dollars (\$250) a square foot, one thousand two hundred (1,200) square foot home, based on single-family detached or multi-family?

Mr. Mackler: Single-family detached.

Council Chair Rapozo: Right. Do you know what the cost would be if we went with multi-family?

Mr. Mackler: Like a duplex type of structure?

Council Chair Rapozo: Right, which is what the developer is going to be doing.

Mr. Mackler: I do not have a number I can give you.

Council Chair Rapozo: Okay. The reason why I am asking these questions is because I like to compare apples to apples.

Mr. Mackler: Sure.

Council Chair Rapozo: I do not want to be given this that justifies the Administration's position. I mean, that is cool, but I also want to know the reality. What is the real deal? I think if we can get the sixteen (16) lots, and yes, we have to spend whatever the Ordinance dictates, whatever percentage less than market, which I believe is one hundred twenty-five thousand dollars (\$125,000). If we can create thirty-two (32) units like they are doing at a much lower cost, we will not only get the people in that can qualify, but we can also have that affordability last forever, which is, for me, an important part of affordable housing. That is one (1) thing that I would like to see and obviously, I do not vote today. I am not a Committee member, but I want to make sure that we have explored all of our opportunities to create the most units at the best value and that we can have the affordability that is long-term. Right now the way it is written, and I know it was question number one was about

when they can market and how long they have to hang on to it, there is a possibility, and as I have said at the last meeting, I have seen this happen in Puhi where you go beyond the time. I know they are allowing so many days. We are saying within sixty (60) days, the developer must offer the remaining units...oh no, that is without income. For the income qualified buyers, which apparently this one will be the one hundred forty percent (140%) of the median income, twelve (12) months before the construction they can start, and that they are going to offer it to the Kaua'i residents first, right? But if Kaua'i residents cannot qualify at that high one hundred forty percent (140%) of the median income...and I hear, "No, there is a backlog, there is a backlog, there is a backlog," whatever the case is, there is a possibility that a house will go to an off-island buyer, correct?

Mr. Mackler: There is a possibility and the County's Housing Ordinance does recognize that after a certain amount of time where the affordable unit is marketed for sale at some point, if it is not purchased will float out to a market sale.

Council Chair Rapozo: It is not affordable. I know it is one hundred forty percent (140%) of the median income, so would I rather you call it "workforce housing" or whatever because it is really not affordable housing. I am sure everybody got the E-mails, phone calls, or read Facebook. Four hundred ninety thousand dollars (\$490,000) or five hundred thousand dollars (\$500,000) for a duplex is not affordable.

Mr. Mackler: Well, I think one thing I want to say about that is our Housing Ordinance provides a definition for affordable housing...

Council Chair Rapozo: Right.

Mr. Mackler: ...up to one hundred forty percent (140%) of the median income.

Council Chair Rapozo: I understand that.

Mr. Mackler: That does capture a large segment of the island's workforce and we have a problem with housing supply across all of the income ranges that we identified by the Ordinance. We have very few opportunities that come along, at least since I have been around, that allow us to bring supply to what we used to call the "gap group." We will just call it "one hundred forty percent (140%) of the median income" for the moment. We, as the Housing Agency, have to also recognize that there are folks would are in the higher income groups that also need housing opportunities. Most of everything that we have done, and I know you are aware of those projects that are actually listed on the last spreadsheet, have been serving households predominantly eighty percent (80%) of the median income and below, really mostly sixty percent (60%) and below the median income, and that is directed by the source of financing that is used on those projects. So there are very few opportunities to get up higher than eighty percent (80%) of the median income and we see value in that, frankly, that we can see some units come online that can help those who are in that "gap group."

Council Chair Rapozo: Where is the greater need today?

Mr. Mackler: The greater need and it is always been this way from our housing studies and has not changed any, is that eighty percent (80%) of the median income and below.

Council Chair Rapozo: Right, and the availability of funds from the Federal government and from different programs are for that group, correct?

Mr. Mackler: Predominantly, yes.

Council Chair Rapozo: Right. So I guess we have an opportunity to secure some land and one (1) of the things we keep talking about is, "if we only had land, the County could do a lot of things." If you have the most availability of Federal funds in that income group, if you have the bigger need at the current time, it is almost like the roads discussion. What do you do? Are you going to fix the broken roads now? We should. Or are we going fix up the not so broken up ones because it is easy to do? But I mean, if you have the most available funding sources for that group and that is the bigger need right now, it would seem that we should be looking at that as an option anyway and put the numbers out on a spreadsheet, do a comparison, and figure out what the best is to get more units with the greater need today, and I do not see that in this. Again, I do not vote today. If you folks are planning on moving this out today, I would ask one of the Committee members to introduce an amendment to drop the one hundred forty percent (140%) of the median income to at least one hundred twenty percent (120%) of the median income. One hundred forty percent (140%) of the median income, to me, it just are not happening. I am hearing from enough people that it is not where the need is. There are many houses on the market right now, if you look up houses for sale, there are a lot of markets for whatever reason I think that one hundred forty percent (140%) of the median income and above can go get. I think we as Councilmembers and as a County, should really be looking at the greatest need. I would just ask my colleagues on the Committee, if your intent is to move this out, please consider dropping the one hundred forty percent (140%) of the median income and maybe the developer is not open to that, and that is fine. But the end of the day, I think our focus should be on that lower income. Thank you.

Committee Chair Chock: If you could respond to the two (2) questions; one (1) is can we expect a side-by-side comparison, which is the request of Council Chair Rapozo, and the one hundred twenty percent (120%) of the median income consideration because if there is more work that Members are considering and that is what we want to see, then we may not be able to get to that today and may have to defer. I just want to be clear about where we need to go.

Mr. Mackler: We can provide a side-by-side comparison so that we can present that to you. What was your second question?

Committee Chair Chock: I think the second question was a request for an amendment of one hundred twenty percent (120%) of the median income or less.

Mr. Mackler: Oh, okay. That is certainly something that can be requested. I know that early on in your conversations with representatives from D.R. Horton, we wanted to have some of those thirty-two (32) duplex units earmarked for households or priced at one hundred twenty percent (120%) of the median income. We are not quite there yet, but certainly, we can continue to ask for that. I know from our standpoint in the Housing Agency, we would like to see that.

Committee Chair Chock: Okay. Council Vice Chair Kagawa, followed by Councilmember Yukimura.

Councilmember Kagawa: Thank you, Committee Chair Chock. I met with Lenny a while back regarding the parcel plan for a gym or whatever. Is that part of this whole package?

Mr. Mackler: Well as part of the development, I believe there is land that is being made available by D.R. Horton to do two (2) things: one, to allow for expansion of King Kaumuali'i Elementary School, and also to be able to site a community or neighborhood center at some point.

Councilmember Kagawa: I just wanted to at least present that side that we are getting some benefit in a much needed area with the possibilities that this development would be providing. So I just want to get clear, the sixteen (16) lots will provide thirty-two (32) duplexes? Well, sixteen (16) duplexes, so thirty-two (32)...

Mr. Mackler: Sixteen (16) duplexes with thirty-two (32) units total.

Councilmember Kagawa: Thirty-two (32) families would be able to...

Mr. Mackler: Yes.

Councilmember Kagawa: Going back to the selection process, what kind of restrictions will be in place for me to ensure that local families get first chance? The worst thing for me would be if a new coming resident would take the spot of something that could have gone to a long-time local resident.

Mr. Mackler: Yes, and we heard that concern raised the last time we were here.

Councilmember Kagawa: Are we going to put some language in place or is that even possible?

Mr. Mackler: What I would like to do is if I could defer to Steven Franco, our Homebuyer Program Coordinator, to address your question.

STEVEN FRANCO, JR., Homebuyer Specialist: I am Steve Franco, Homebuyer Coordinator for the Housing Agency. We will utilize the County's mortgage ready homebuyer list. Everyone that is a participant on that list will be notified once the developer starts the marketing or sales. Those participants on our list are going to be given the first opportunity. To be a participant on our list, you

have to be a Kaua'i resident, first-time homebuyer, and have completed homebuyer education classes. So those participants are going to be given the first opportunity during the certain marketing periods that are lined out in the sales period.

Councilmember Kagawa: How many people on the list right now?

Mr. Franco: We have about three hundred sixty-four (364) active participants or what we consider "mortgage-ready participants." Our list is a little bit larger. We have actually almost five hundred (500), but when we say "active participants," these are people who are actively updating us with their income status and also letting us know that they are mortgage-ready.

Councilmember Kagawa: So for the Kaua'i resident requirement, how long do you have to be a resident to get on the list?

Mr. Franco: As long as they can establish residency by way of something like a rental agreement if they are currently renting. We do not really have a time period of how long they have to be residing on Kaua'i, but if they could provide some type of proof that they either have a rental agreement or utilities in their name, then that is the type of proof that we use for Kaua'i residents.

Councilmember Kagawa: Okay. So there is no wait as to for example, say Mr. Kubo applied and he has lived here for fifty (50) years. Is there no moving up in priority for Mr. Kubo versus "Joe Shmoe" who moved here last week?

Mr. Franco: Well actually, everyone that is on our homebuyer list is assigned a homebuyer number and that number stays with them until the purchase or ask to be removed from the list. So whenever we do sales like these, your number is your priority. We work with the lowest number, whoever is the lowest number. For example, if we sell a property, we give everybody on the list an opportunity to purchase, then we work with the lowest number. So that person, like Mr. Kubo who is number 50, if that is the lowest number of interested parties, then that is the person that we will work with first. Their number will never change or their homebuyer number will never change.

Councilmember Kagawa: It is not like Honolulu where they use a lottery?

Mr. Franco: No, it is not a lottery. We have a homebuyer number that is assigned to each participant.

Councilmember Kagawa: And it is a priority working from the top-down?

Mr. Franco: Yes.

Councilmember Kagawa: Thank you. Thank you, Committee Chair Chock.

Committee Chair Chock: Two (2) follow-up questions, Councilmember Brun first.

Councilmember Brun: I have a follow-up to that looking at your response. It says twelve (12) months before construction on the first question and then reading it, it is six (6) months before construction. From what I am getting from this answer is by the time the house is built and if a local resident or somebody on your homebuyer program list does not take it, then they can open it up for anyone else?

Mr. Mackler: Well, you asked us to answer what stage of development that marketing sales process should commence and based on some of the provisions of our Housing Ordinance, we believe it should, can, and is a reasonable lead time to start six (6) months before the units are complete. We would at that time, given the number of units that are made available in each batch of the buildout, we would work with those who are on the homebuyer list and those that come to the table, would have the first preference to buy those duplex units. Those who are not on the homebuyer list, but are also income eligible who are one hundred forty percent (140%) and below the median income would then have the next opportunity. Beyond that, how long would it take before those units were no longer restricted sales, I think that is your question.

Councilmember Brun: Yes.

Mr. Mackler: That question is not really answered in our response and I think that would require some additional discussion on our part to think about that and give you maybe another recommendation on that as well.

Councilmember Brun: That was basically my question the last time.

Mr. Mackler: Okay.

Councilmember Brun: Looking at this, it is not answered. What I am worried about is you build this house and you take the home six (6) months ahead of time. When the house is built, what if the person does not like the house? I am struggling with we are going to get these people qualified and look into buying a house, they are going to purchase this house, and whatever we build is what they are stuck with. I think we have to make sure that when the house is built and it is a quality house, then we give them six (6) months to buy it. That is what I am looking for.

Mr. Mackler: I see.

Councilmember Brun: Nobody goes to a car dealership and "Oh, you are going to sell a car in one (1) year, whatever it is, I am just going buy it because I qualify for it." You make sure that product is what you want, and that is what I am looking for here. We have to make sure that we are putting out a good product in order for somebody to buy it.

Mr. Mackler: As to that concern, I do know just from talking with the representatives who are here today, that they plan to put up model units for their single-family and duplex homes. So those who are interested in wanting to purchase a home at Ho'oluana at Koheha Loa would have the opportunity to see the project early on, and that is what is going to be built. I would just say that they are knowing what they are getting by seeing what is featured as model homes. The other thing too, I just wanted to say that the six (6) month lead is to have those prospective purchasers go through the process of getting their mortgage financing, getting qualifications, getting their loan approvals, and being able to move in when the units are complete when they get their Certificates of Occupancy, so that there is no delay or lag. That is really the idea of having this advanced process prior to the completion of the units.

Councilmember Brun: My issue with that is we are putting a model home, what if the product does not look the same? We just ripped the Department of Public Works not long ago about putting up slides of what we are doing, but we are ripping them for not doing what they said they were going to do.

Mr. Mackler: Okay.

Councilmember Brun: So we are going put up a model home, I want the home to be built so the person can go there, look at it, and know what they are getting then give that person six (6) months from there. I think that is what I was looking for with the question two (2) weeks ago.

Mr. Mackler: Councilmember Brun, I think there are representations that are made by the developer by their real estate agents that have to be met. You show the model and say, "This is what we are going to provide you when we offer you a unit," then you certainly better live up to that. I think they will. I do not know of any reason why they would not.

Committee Chair Chock: Council Chair Rapozo.

Councilmember Yukimura: I was next in line.

Committee Chair Chock: I am sorry. I thought it was a follow-up because we had two (2) follow-ups. Do you have a follow-up to the question?

Councilmember Yukimura: Yes, I do.

Committee Chair Chock: We will go right after you if you have a follow-up as well and then you will have the floor as well since you have another question. Let us go to Council Chair Rapozo and then you will have the floor right after.

Council Chair Rapozo: Thank you. I wanted to go back. I need some clarification on the homebuyer list in the County. Did you say we have three hundred (300) people on the list?

Mr. Franco: Approximately three hundred sixty-four (364) active participants.

Council Chair Rapozo: Three hundred sixty-four (364)?

Mr. Franco: Yes.

Council Chair Rapozo: Out of three hundred sixty-four (364), how many of those would qualify at one hundred forty percent (140%) of the median income?

Mr. Franco: Just off the top of my head, I would say about twenty percent (20%) of the list. We did a recent update and the numbers I had was about twenty percent (20%) of the three hundred sixty-four (364).

Council Chair Rapozo: So about seventy-two (72) people.

Mr. Franco: Yes, approximately.

Council Chair Rapozo: Right.

Mr. Franco: That are at that income group or above.

Council Chair Rapozo: In your experience using that list, what percentage of people on that list that are so-called on the "active list" can complete the process and purchase the house?

Mr. Franco: I would say that in the past of that seventy-two (72), about half of those would go through the process.

Council Chair Rapozo: So we are down to about thirty-six (36) people now?

Mr. Franco: Yes.

Council Chair Rapozo: So actually maybe thirty-six (36) people realistically, are on our County affordable housing list will qualify for this project?

Mr. Franco: Yes, can go through process.

Council Chair Rapozo: I think that is important because thirty-six (36) people for thirty-two (32) units, which if everything lined up on a perfect day, we would have people in there.

Mr. Franco: Right.

Council Chair Rapozo: But realistically, I have seen it enough times where for whatever reason, just circumstances change, another house becomes available, a real house with a yard, and then they give that up. I just want to make

sure when you say three hundred sixty-four (364), it sounds like we are going to have a long line of people for these homes, but the reality is that it is a very short line.

Mr. Franco: Right, but I know that the interest is there. In a perfect world, as you said, everything would line up perfectly, but the demand, interest, inquiries, and the type of people that...I mean, the interest is there. I know it is there, whether it can all line up, I cannot answer that.

Council Chair Rapozo: My interest for a new home is there, too, like really, but I simply cannot qualify for the loan for the regular home on this island and that is just the reality of it. I just want to deal with real things here and not make it seem like this thing is going to "boom" and we will have thirty-two (32) local families in these units, local families that we want to house and we want to give that opportunity. Again, I just want to say, I do not think there is, and this is a question, I do not think there is any kind of safety net that would prohibit these units from being sold to people above one hundred forty percent (140%) of the median income unless the County is willing to step in and buy it. We could have that in there, but if not, there is no guarantee that these units will go to someone from another State or that is above one hundred forty percent (140%) of the median income, correct, as it is written right now?

Mr. Mackler: Actually, the Housing Ordinance does have in Article 6 provision that allows the County to buy the affordable units.

Council Chair Rapozo: Right, but are we in a position to buy these?

Mr. Mackler: Do we have the money to do that?

Council Chair Rapozo: Right.

Mr. Mackler: That is...

Council Chair Rapozo: Correct.

Mr. Mackler: That is an unknown.

Council Chair Rapozo: Yes, okay. Thank you.

Committee Chair Chock: Councilmember Yukimura, do you have a follow-up?

Councilmember Yukimura: Yes, actually Council Chair Rapozo asked one (1) of the questions that I wanted to ask about how many families on the list are in that one hundred forty percent (140%) of the median income bracket. First of all, I want to apologize because I think I said "D.H. Horton," I meant "D.R. Horton." My follow-up is to Councilmember Brun's question, which expressed a concern about quality of the house. We normally have controls when the houses are being built for us, the County.

(Councilmember Kagawa was noted as not present.)

Councilmember Yukimura: I know D.R. Horton is a very credible developer, but are there any controls, is there any oversight as to those thirty-two (32) units in terms of minimum quality standards? I do not think there should be preference to design. It is not like you are putting out your own money to build to contract for your own individualized house. That is not what we are talking about here.

Mr. Mackler: The County Building Inspectors that do the inspections for plumbing, electrical, and other aspects of the construction will be actively inspecting these units. I am certain that D.R. Horton and their contractor will go through punch lists when the units are complete or nearly complete, as well as punch listing with the prospective purchaser.

Councilmember Yukimura: Okay, and maybe we can ask that question of the developer, too. I think whether we are building it or a developer is building it, as part of our affordable housing requirement, we have to have some minimum quality assurance. I do not believe people should be able to specify their houses or say—I mean, if there is the minimum quality and they do not like the house, they just say “I pass,” right, and the next family steps up?

Mr. Mackler: Yes.

Councilmember Yukimura: Okay. Thank you.

Committee Chair Chock: Are there any further questions for the Administration? It looks like there are some requests here, so we might move to a deferral to continue this discussion, but let us hear from the developers. I think there are some questions for them as well. Are there any questions for the developer?

Councilmember Yukimura: I have one (1).

Committee Chair Chock: Councilmember Yukimura, we will start with you, and then Council Chair Rapozo.

Councilmember Yukimura: Hi.

ROBERT BRUHL, President, D.R. Horton Hawai'i: Good afternoon.

Councilmember Yukimura: Could you introduce yourselves for the record?

Mr. Bruhl: Gladly. Good morning, everyone. I am Bob Bruhl. I am the President of D.R. Horton Hawai'i, and with me is Tracy Tonaki, who is the Senior Vice President in charge of Development.

Councilmember Yukimura: Thank you both for being here. You heard the question about quality assurance, can you answer that?

Mr. Bruhl: Yes. I certainly understand the root of the question. I think it is a fair question, especially one from some that might think we

are an unknown quantity or quality on the island. But we have built close to seven hundred (700) homes here because we are the former Schuler Homes. Most of those were in Puhi area. The last fifty-six (56) were done in 2007, a community called Ho'okena at Puhi, formerly Halelani 1E, all pursuant to Grove Farm Company, LLC original affordable housing requirements under some earlier zoning. So you can actually see what we built before and how it is standing up to the test of the time, but more importantly, we are a Hawai'i company not from Kaua'i, but I was born and raised on O'ahu, so was Tracy, and so was the majority of the people in the office. We are thinking about the one hundred fifty one (151) or the thirty-two (32) homes only.

(Councilmember Kagawa was noted as present.)

Mr. Bruhl: We are thinking about the four hundred forty-five (445) homes that comprise all of Ho'oluana at Koheea Loa. We also have a community going on the South Shore. We understand that the market is only going to accept and embrace you over time if you produce a quality product, so we will be producing those homes with an eye on doing something that we do everywhere; we do it on O'ahu, Maui, the Big Island, and here, to do it long-term and to do something that we believe is good for the neighborhood and good for the island. We cannot sell something that does not stand up because somebody will walk in, like you are saying, and say, "I do not want it." Like you said, well, they do not have to buy it. If everybody came through and said they do not want it because of a quality problem, then we would be investing millions more in something that we would never get our money out of. It is just not the way we do business.

Councilmember Yukimura: Thank you.

Mr. Bruhl: I think Gary Mackler's answer from the Housing Agency was a good one. We do build a fairly comprehensive model complex. It is meant to be representative of what we provide, not just in terms of giving people an idea of how the homes look from outside, or are colored, or maybe even just the finishes, what the countertops and the cabinets looks like, what some of the options are, how they can change it and put a wow factor in that is personalized, but more importantly, how it lives, how close it is to their neighbor's next door, how close it is to the street, how they will park their cars, where they will put their Christmas tree, where they will put their breadfruit tapestry, *lauhala* mats, and everything else that makes being in Hawai'i special. That is why we do it and we do it just for this primary market. This first-time buyer market is exactly what we take the most pride in when we do what we do. Do you want to add anything?

TRACY TONAKI, Senior Vice President of Design & Purchasing, D.R. Horton: Hi, good afternoon. I am Tracy Tonaki. Just to add a little bit more information to your questions about quality levels, originally as the Ordinance stated, we are required to provide sixteen (16) lots. So the duplexes that we have designed were designed for market homes and they were designed to meet all of the building and Codes that we are required to meet along with the other five (5) models of single-family detached that we have. We are using that same duplex design and offering it with this proposed amendment to the Ordinance. The thirty-two (32) duplex units that we will be selling at one hundred forty percent (140%) of the median income would look the same as the duplex we would be selling at market-rate. We

are required to scatter them throughout the subdivision so that they are seamlessly blended with the market-rate homes.

Councilmember Yukimura: Excellent. Thank you very much. Besides building seven hundred (700) units on Kaua'i, how many have you built on O'ahu?

Mr. Bruhl: In the forty (40) year history of the company, we have produced over fourteen thousand (14,000) homes Statewide.

Councilmember Yukimura: Thank you. There has been talk about deferring this matter and about looking at the County doing it so that we can have some permanent affordability and that would take some rethinking. I am just concerned about your time constraints and what kind of timelines you are having to work with as it relates to our decision-making on this Bill.

Mr. Bruhl: I think the best way to answer that question, since I have your ear, is to explain to all of you, and I know you do not know me and are not as familiar with the project as we are, but we are here offering something in an effort to work with you. Our offer to the Council was not presented to cause you any sort of conundrum or to put you in a difficult position. The 1982 Zoning Ordinance is pretty clear. We are required to turn over sixteen (16) vacant lots and to do them in no set timeframe, but as we buildout. So, we would provide them. We have a general earmarking of what those lots would be if we were turning over the sixteen (16), providing sixteen (16) lots to the County. They would not be duplex lots. If you preferred to have land that you wanted the sixteen (16) lots, that is fine. We would convey them and follow through with the line items in the Ordinance as best we can working with you. We would retain the eight (8) duplex lots that we are talking about. Whether or not you could take the sixteen (16) single-family lots and then increase the density on those individual lots is something that you would have to rely on your County experts and Administration people to tell you what the Zoning Code allows you to do. We are presenting kind of a trade to say, "Instead of getting sixteen (16) single-family subdivided lots," which are created because the file plan is final, "we will buildout the thirty-two (32) duplex units, homes, on sixteen (16) duplex lots." It was presently really simply and meant to be a two-for-one. I understand the concern over whether or not one hundred forty percent (140%) of the median income is truly affordable housing or not, but there is no affordable requirement on this 82-zoned area to begin with. There is just a requirement to deliver sixteen (16) vacant lots to the County at a cost to be determined.

Councilmember Yukimura: At the cost to be determined or at two million dollars (\$2,000,000)?

Mr. Bruhl: It is estimated at two million dollars (\$2,000,000) because it is ninety percent (90%) of our preparation costs.

Councilmember Yukimura: I see.

Mr. Bruhl: What I am saying is we would ultimately have to serve up our contracts and everything that we have in it, take ninety percent (90%)

of that number, and that is what we would get paid. I am just saying to be determined.

Councilmember Yukimura: Yes. So the two million dollars (\$2,000,000) is specified in the Ordinance.

Mr. Bruhl: It is an estimate. Right, that is correct. It was not specified back in 1982 to be two million dollars (\$2,000,000).

Councilmember Yukimura: At cost, so to speak.

Mr. Bruhl: It was specified to be at ninety percent (90%) of cost.

Councilmember Yukimura: But we have to pay something for them.

Mr. Bruhl: And the estimate is two million dollars (\$2,000,000).

Councilmember Yukimura: Yes, okay.

Mr. Bruhl: Based on the costs that we know we have to-date. We have offered to do the thirty-two (32) units or thirty-two (32) homes. The important thing is that again, these thirty-two (32) homes are being delivered in our mind's eye within a context of a much larger community that is built out over time. There are four hundred forty-five (445) total homes planned at Ho'oluana at Koheha Loa. There is a spectrum of affordability that gets delivered within the buildout of the full community that ranges from eighty percent (80%) of the median income to the one hundred forty percent (140%) of the median income. So while we are not starting at the lowest, part of that reason is because we are in the area where one, there is no set affordable requirement per the zoning, and two, we are dealing with single-family attached or detached product, which because of its lower density is among the tougher economics to deliver at the lower ends of the Area Median Income (AMI) range. Just to give you an idea, on the last chart that I have seen for Kaua'i, the maximum price for a 3-bedroom home at one hundred forty percent (140%) of the median income of AMI is somewhere around four hundred sixty-seven thousand dollars (\$467,000) and the maximum price at one hundred twenty percent (120%) of the median income, I believe is around three hundred eighty thousand dollars (\$380,000). That is the Condominium Property Regime (CPR) price because duplexes would be CPR'd, and that is using a four and a half percent (4.5%) interest rate. So, it is a little bit higher than what we could offer today. As you know, as interest rates rise, those prices would have to come down.

We paid eight million dollars (\$8,000,000) for the land to Grove Farm Company, LLC back in 2005. We have held it since that time. We put another thirteen million dollars (\$13,000,000) or so into the civil construction thus far for the off-site, sewer pump station, the interior roadways, et cetera and now the lot preparation. It takes us to about one hundred fifty thousand dollars (\$150,000) per lot. That is what our cost basis is on our accounting. It is going to cost us probably around three hundred thousand dollars (\$300,000) to just build these houses. We are

already at four hundred fifty thousand dollars (\$450,000) in the cost. The way you get down to the eighty percent (80%) of the median income is by higher density attached product driving economics so that those lot costs are carved up to much smaller numbers as Council Chair Rapozo was suggesting earlier. So it is a very long answer to the question I was asked, but I wanted to try and put this in a larger framework, most importantly to send the message that we are here trying to present something through the Kaua'i Housing Agency that offers you kind of a dual track; you can take the sixteen (16) or you can get double the units now, but meant to be something that was at your preference.

Councilmember Yukimura: Thank you. That was a very important explanation, I think, for us to understand what we are considering here. I am still not clear what your timetable is and if we do not settle this.

Mr. Bruhl: Oh, I am sorry. That is my Portuguese nature, I carry on a little bit.

Councilmember Yukimura: No, that was still important information. What I am concerned about is, the good thing is you explained the complexities of looking at these two (2) different alternatives and what it would take to figure out this other scenario, which is we take the sixteen (16) lots, how fast can we get it into the hands of our families, and do we have the money? We have to figure that all out if we are going choose that route. I do not know how long it will take. We know the delay for developers is really a difficult and expensive thing, and so I just wanted to know how much time do we have.

Mr. Bruhl: There is a sense of urgency that we have, that we are not trying to impose on you all because we are working with the various agencies to try and work our building permits through because we would like to start construction yesterday.

Councilmember Yukimura: I am sure.

Mr. Bruhl: We initially anticipate maybe an 8-month build on the first homes until we get our efficiencies worked and really get it down to clockwork. We should be able to build these houses in less than six (6) months. As soon as we can get the first permits, we will go to sale.

Councilmember Yukimura: But the permits are not hinged on this Bill passing, right?

Mr. Bruhl: No, and nor is our start. We will still continue to go out there and work. We are hoping that this elegantly runs the appropriate course somehow during the first half of this year so that we are left with...

Councilmember Yukimura: Some clarity.

Mr. Bruhl: ...time to be able to be flexible to say, "Okay, they are going to take the sixteen (16) lots." We will not go to sale on those sixteen (16) lots that we would intend to convey initially if we are running into issues.

Councilmember Yukimura: Okay.

Mr. Bruhl: Nor would we go to sale on the duplexes that are a different set of lots until this resolves itself.

Councilmember Yukimura: Well, it would require you to hold those two (2) options open.

Mr. Bruhl: Yes, we would prefer not to do that, but again, we are not here to present anything other than an option to the Council to decide at its leisure.

Councilmember Yukimura: Okay.

Mr. Bruhl: I mean, I do not want to say an endless timeframe, but again, I do not believe our timing should be super imposed.

Councilmember Yukimura: That is very unusual. A lot of people just say, "If you do not act by tomorrow, that option is gone."

Mr. Bruhl: No. Again, I just want to stress the fact that it is not Tracy nor my first rodeo. We understand what you are trying to get your arms around a little bit. We have been doing the best. We will continue to do best to continue to work with you in the most cooperative manner. Our phones and offices are completely open to all of you for any questions that your offices might have or any information that you might need to help you process that. We understand.

Councilmember Yukimura: Thank you very much.

Committee Chair Chock: Thank you. It is a little bit after 12:00 p.m. right now, we have a couple more questions from Councilmembers, and I know people are here to testify, so I want to get to that before we break for lunch if this is going to be extended. I will hand it over it to Council Chair Rapozo, followed by Council Vice Chair Kagawa.

Council Chair Rapozo: Thank you for being here today. Let me start by saying that I have no concern about the quality of your product. You folks have proven time and time and time again that the quality is obviously very good. I am not concerned about that nor am I questioning the genuineness of your offer because I think you are trying to give us an option that would turnaround houses and homes quickly, so I appreciate that as well. I am just questioning if we vetted out the two (2) options enough to make sure that we have the ability to put more families in need, or at the greater need, in homes as quick as we can? It means no disrespect to your company, to Horton, because I think you folks do a great things and this offer is one of those that the easy thing to do is to say, "Yes, go for it." There is a need in every range or every part of the spectrum. I just want to recap, on the one hundred forty percent (140%) of the median income, I think it is four hundred sixty-seven thousand dollars (\$467,000) you said, according to the last chart?

Mr. Bruhl: The last chart I have which is dated, I think, last year.

Council Chair Rapozo: Okay.

Mr. Bruhl: I have not seen it updated.

Ms. Tonaki: That was calculated at four and a half (4.5%) interest rate.

Mr. Bruhl: Right.

Council Chair Rapozo: Our interest rates are going up.

Mr. Bruhl: Well, we are not that high yet, but that is what it is...

Council Chair Rapozo: But by the time this thing...

Mr. Bruhl: Well it could, I do not know.

Council Chair Rapozo: I hope not.

Ms. Tonaki: Let us hope not.

Mr. Bruhl: I am holding my breath a little bit.

Council Chair Rapozo: Okay. At one hundred twenty percent (120%) of the median income, you say it went down to three hundred eighty thousand dollars (\$380,000)?

Mr. Bruhl: That is correct. Again to be clear, that chart has a single-family home price and then it has a CPR price.

Council Chair Rapozo: Yes, we are talking CPR.

Mr. Bruhl: I am looking at the CPR price.

Council Chair Rapozo: Right. What is your plan on the market price for the same duplex that will be built somewhere else?

Mr. Bruhl: Well, actually I believe the majority of our duplexes are wrapped up in this offer to you.

Council Chair Rapozo: Oh, and the rest will be single-family?

Mr. Bruhl: The rest are a different product, but the average price right now of our homes, we project out to be about five hundred twenty-five thousand dollars (\$525,000), all of them.

Council Chair Rapozo: Yes, the high and lows.

Mr. Bruhl: Yes. I think the last I saw, you folks will know better than I do, but the median price for a house on Kaua'i, I think is somewhere around seven hundred thousand dollars (\$700,000).

Council Chair Rapozo: I know Honolulu is seven hundred thousand dollars (\$700,000). I do not know what it is here now. Gary probably knows that.

Mr. Bruhl: Six hundred fifty thousand dollars (\$650,000) or something, and this is not unusual to what we are seeing elsewhere. But we are going to try to come in substantially underneath that because it helps to move the houses faster. The better thing for us from a business standpoint, I know I am not allowed to necessarily talk about what is best for business, but selling as many as we can as fast as we can, not necessarily pushing for the last dollar initially because the community needs to take on its own shape and then it ultimately sells itself. When you are half sold out, you have good families living there, they are providing the best landscaping that can possibly be because the kids' bikes are strewn on the front yards, the balls are flying in the streets, and things like that, that is what is really best for business for us. So that is how we tend to try to plan.

Council Chair Rapozo: Thank you. Thank you, Committee Chair Chock.

Committee Chair Chock: Councilmember Kagawa.

Councilmember Kagawa: I am just trying to pinpoint the total cost per unit because for the infrastructure cost, you said it is basically one hundred fifty thousand dollars (\$150,000) per lot.

Mr. Bruhl: On average.

Councilmember Kagawa: Because the County numbers shows the lot cost at one hundred twenty-five thousand dollars (\$125,000), which is two million dollars (\$2,000,000) divided by eighteen (18) or whatever.

Mr. Bruhl: Can I explain the difference to you?

Councilmember Kagawa: Yes.

Mr. Bruhl: The Ordinance is specific to what the County can pay us for.

Councilmember Kagawa: Okay.

Mr. Bruhl: So all of the costs that we incur are not necessarily going to get included in the sale to the County. It says it will pay for lot preparation, this, and that, but we are incurring other costs as well.

Councilmember Kagawa: Well, I am just trying to pinpoint what the cost is per unit because from the County's Housing Agency, I do not know if they gave you the same handout, but they showing one hundred twenty-five thousand dollars (\$125,000) for the lot, three hundred thousand dollars (\$300,000) for the home, which is one thousand two hundred (1,200) square feet times two hundred fifty dollars (\$250), but each home only costs half the lot, right? One hundred twenty-five thousand dollars (\$125,000) divided by (2) would be the actual lot cost.

Mr. Bruhl: I think that is per unit, not per lot. So, I believe it is presented as per home.

Councilmember Kagawa: So are you saying that it is two hundred fifty thousand dollars (\$250,000) per lot, for a duplex?

Mr. Bruhl: Yes. It is a little bit confusing and let me do my best to try and explain it.

Councilmember Kagawa: What is your figure for how much it costs for one (1) unit? How much is the land and how much is the...

Mr. Bruhl: Per unit...

Councilmember Kagawa: Per unit.

Mr. Bruhl: ...my number is one hundred fifty thousand dollars (\$150,000). That is per unit at one hundred twenty-five thousand dollars (\$125,000), so they are very close.

Councilmember Kagawa: Okay.

Mr. Bruhl: It is per unit, rather than thinking about per house.

Councilmember Kagawa: So one hundred fifty thousand dollars (\$150,000) per unit plus...so your number is more like four hundred fifty thousand dollars (\$450,000) then?

Mr. Bruhl: Yes, in terms of what our costs are.

Councilmember Kagawa: Okay. I just wanted to know because I was confused as to what the total cost is because I saw the County's one and then I heard yours. I was thinking, what is the actual. So four hundred fifty thousand dollars (\$450,000) is your number?

Mr. Bruhl: Yes.

Councilmember Kagawa: Okay. Thank you.

Committee Chair Chock: Are there any other questions? If not, I will call for public testimony now.

ALLISON S. ARAKAKI, Council Services Assistant I: We have no registered speakers.

Committee Chair Chock: I guess nobody wants to speak. Oh, we have one (1) here. Thank you.

KLAYTON KUBO: I have not been in this building for a while.

Committee Chair Chock: Welcome back.

Mr. Kubo: How is it going? Klayton Kubo, Waimea Kaua'i. Just listening to the numbers, is that affordable housing? Four hundred ninety thousand dollars (\$490,000)? I do not think my two (2) sons could afford that. I really doubt that unless they have a forty-five dollar (\$45) to fifty dollar (\$50) per hour paying job and does not buy any toys. What is affordable housing? I heard seven hundred fifty thousand dollars (\$750,000) is the average. What average? Where? Princeville? I do not know. I just cannot fathom those kinds of numbers in my brain. I beg you folks to do something about this. Four hundred ninety thousand dollars (\$490,000) for a six hundred (600) square feet up and six hundred (600) square feet down square foot house, I am going to say that is kind of tiny. My friend just released their house in Waimea. I think that house was about one thousand one hundred (1,100) square feet, and they sold it for, I think, almost three hundred eighty thousand dollars (\$380,000). A little over thousand (10,000) square feet of land, and this developer is talking four hundred ninety thousand dollars (\$490,000) for a duplex, which is kind of small. I feel that you folks on this Council that the people voted you in, right, you folks should consider the low-income people. Yes, the numbers are just...I do not know. Even me, myself, there is no way I could afford that. No way. Impossible. If it all boils down to money, how much are they going to be making? Seriously. Affordable housing should be affordable, not unaffordable. *Mahalo nui*. Are there any questions?

Committee Chair Chock: Thank you, Klayton.

Mr. Kubo: *Aloha*.

Committee Chair Chock: *Aloha*. Would anyone else like to testify? If not, I would like to call the meeting back to order, and if I could hear some feedback.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Committee Chair Chock: I know we have some requests on the table about this discussion. I would like to see where people are Council Vice Chair Kagawa. It sounds like we have some time, but they want to move forward. Council Vice Chair Kagawa.

Councilmember Kagawa: I just want to get a feel for your feeling on what you want to do, whether you want to defer. If you want to move it out, I would like to suggest introducing a floor amendment to agree with Council Chair Rapozo and reduce the number to one hundred twenty percent (120%) of the median income just to open up the window more to those who need it the most. I know the numbers,

yes, they do not jive with me as far as what is reality, but that is just the reality of the crazy housing market Nationwide. It is not D.R. Horton's fault that the market has just turned into something that we all cannot figure out, and I think their proposal is actually something that they did not even have to do and they are trying to do it for the County and are willing to do a lot of leg work. They are trying to do something good for the people of Kaua'i. I think although all of us would rather have something that fits the threshold below one hundred percent (100%) of the median income, we could not do it as fast as the developer is proposing to do it and as efficiently. There is a great community benefit with the gym as well that needs to be considered. There are a lot of good decisions that came out of 2002. I am going to be supporting it, but I am going to still continue to be skeptical and make sure that we are going to help the most people at the cheapest value that we possibly can do it so there is more time. I am willing to support it and if you are willing to push this out of Committee, I would like to introduce my amendment when you are ready. Thank you, Committee Chair Chock.

Committee Chair Chock: I will just respond and I want to hear from everything else, but I think it is a really important discussion that we have come upon in light of some of the housing amendments we might be looking at in the near-future and have a job that we have to do as they do. If we can get it done today and everyone is agreement that we are going to move as a body this direction to one hundred twenty percent (120%) of the median income, then so be it. I did hear the request for the side-by-side comparison and that discussion is what I am talking about, is really understanding what the implications of each are and how we are going to utilize it to best serve our need in the future. That being said, I am okay with deferring it as well to see those projections so we can make a better decision, but I will leave it up to the body. Councilmember Yukimura.

Councilmember Yukimura: Yes, I realize that we did not ask a major question about this amendment, that we should ask what the implications are for the developer in terms of the one hundred twenty percent (120%) of the median income because it is requiring them to sell it at a lower price, and I do not know if the numbers will all work. Remember, we are not paying them two million dollars (\$2,000,000) in the scenario where they build, so I want to call them back. But before that, I want to say that I do not mind one (1) deferral so that we can get the figures from the Housing Agency, answering the questions Council Chair Rapozo has raised, because if there is a way to get our first preference, which is permanent affordable and lower price...if there is a way to do that in a pretty efficient timeframe, I think we should explore that option. We have to remember that we have to come up with the money to buy the lots and build the houses. It is a huge shift, but I think we should at least have the numbers to see in front of us. So one (1) more deferral would be alright, but before we go any further, if we can suspend the rules and just get the answer to the question about the one hundred twenty percent (120%) of the median income to get that before we can consider an amendment.

Committee Chair Chock: That can be answered as well. If we are going defer it, then I think there are a lot of questions that need to be answered....

Councilmember Yukimura: I see.

Committee Chair Chock: ...that we need to vet.

Councilmember Yukimura: Okay.

Committee Chair Chock: Councilmember Brun.

Councilmember Brun: I was going to ask for a deferral for two (2) weeks so we could send it over to see if it works. I did not want to put them on the spot and ask them right here about the one hundred twenty percent (120%) of the median income. I wanted to make sure that we send them a notice and see if that would be possible for them and give them time to think about it instead of answering us right here. That is why I did not ask them right now, but I think that would be a good thing to ask them and we can get the housing comparison from the Housing Agency. I think we can defer for two (2) weeks, give D.R. Horton time to answer that question if it is possible for them, and we can get our numbers from the Housing Agency.

Committee Chair Chock: Anyone else? Council Chair Rapozo.

Council Chair Rapozo: I would concur. I was going ask you not to bring them up because I think it is something that they need to take a look at. Maybe they have already had that discussion. I am not sure, but I think we can wait and I think it gives them an opportunity to work with our Housing Agency. I think the message was loud and clear today of what the Council is looking at, and if there is an opportunity to fill the higher need right now with this project, then hopefully we can proceed down that road, but obviously, we have to get the developer's support. If they cannot pencil out with the one hundred twenty percent (120%) of the median income, then it is a moot point. I would not recommend us changing the Bill to a level where they cannot comply and at the end of the day, it is just not going to happen. An ideal situation would be for the developer to build the units for the County, but is that satisfying the greater need? I think that is a question that is more a philosophical question than a fiscal question.

The fact that we are paying two million dollars (\$2,000,000) for the lot, basically the developer will not get our two million dollars (\$2,000,000), but they will get the net profit off of thirty-two (32) units. So there is some benefit to the developer with this proposal and it is not a bad thing. If both sides can benefit from this proposal, then great, but I just want to make that clear that the thirty-two (32) units will be sold. Again, what happens after this is beyond any of our control. The market shifts, the interest rates go up, people do not qualify, those units become available to the groups of people that we may not be wishing to accommodate, and that is my biggest fear. It would be like Puhi all over again. I do not know if Mike Dahilig still lives in Puhi. He had the advantage because no one qualified. He applied so they went through all of the different income levels and at some point, he got selected. I can say his name because he told me back then that I could use his name. There were other attorneys that were able to secure those homes when they should have been affordable families. We had top County Administrators at the time move into that project, which should have been for affordable families.

The bottom-line is you can only hold the developer so long to keep those homes available for affordable. You cannot have them hold a house vacant. So what happens is they go through course, oops, there is no one else who is one hundred forty percent (140%) of the median income, let us go up, and at some point, it becomes available to anybody and that is what you get. I have lived that, I have seen it, and I do not want that happening again. I want to make sure we have that protection. We should learn from our mistakes, and if we want to put affordable homes for families that are in need of affordable, that is what we should do. But to wait a certain time and then go up to the next income level, then the next, and at some point say, "Hey, it is wide open." What really troubled me today was when I heard that we do not even consider the length of time that the person lives here. So you have the person flying in, he has a lease/rental agreement before he even lands on Kaua'i, right, everything is online, he comes in not even a week old, and he can go down to our Housing Agency and get treated as a local family. That is wrong. I am sorry. That is not discrimination. It is not racist. It is wrong. Our local families that is living here should be the ones with the benefit or the advantage when it comes to purchasing affordable housing. Sorry. That is just the truth. Now you get these people coming in; go get an electric bill or get whatever, a lease agreement; you walk in...I understand the seniority part, you take the number and the lowest number is up first, but the person before Mr. Kubo in Councilmember Kagawa's example may have just landed and now Mr. Kubo gets ousted because the person who can afford right away gets a unit that should have been for Mr. Kubo and his family. So that needs to be looked at. I do not know how we put the mechanism in there that we put a time requirement, but that cannot be. You do not just come in and get the same benefit, especially when comes to affordable. Anyway, I think you got my drift. Thank you.

Committee Chair Chock: Thank you. I will be asking for a deferral on this item. Is there any further discussion? Councilmember Yukimura, followed by Councilmember Brun.

Councilmember Yukimura: Yes, I agree with the Council Chair Rapozo's concerns, but I must say that it does not quite happen the way he described because they have to take a homeowner's course in order to get on that list. So it is not just come in, get an electric bill, and get on the list. You actually have to go through this course. I think we would all like it if we could have residency requirements that said you have to have been a resident of this island for so many years, but it is not legal. It violates the Constitutional rights to travel, so we are not able to do that. The Housing Agency is doing everything they can to make sure that it goes to local families within the constraints of the law as far as I know. But I am really glad to hear the support for permanent affordability because the Affordable Housing Advisory Committee will be coming forward with some policy changes and the permanent affordability will move us to a different model. Instead of the developer owning the project and selling it, the County will be the one holding the land, developing the project, and selling it. We are looking at community land trust limited equity cooperatives and more rental housing to address the issue of affordability and timeframes for holding the projects for local families. This new policy will help us address some of that.

To Mr. Kubo's concerns, it is a really important lesson for all of us who want to address the affordable housing problem. Our Committee has looked at cost of housing and it is about, on the average, four hundred fifty thousand dollars (\$450,000) to build. This is cost. It is not market price. What the unit will sell for is how much it costs to create the unit, and it costs about four hundred fifty thousand dollars (\$450,000). So, if we are going subsidize it for any family, so we have made house and lot available for two hundred thirty thousand dollars (\$230,000), thereabouts, these are leaseholds so they are more affordable. That is one (1) way to do it and they also give us permanent affordability so that they always go to the next qualified family rather than be sold on the market at the market price of six hundred fifty thousand dollars (\$650,000) or seven hundred thousand dollars (\$700,000), which takes it completely out of the reach of the people who need it. So we will be bringing forth these policies and I think they are going to help us create a better way to provide our families with affordable housing.

Committee Chair Chock: Councilmember Brun.

Councilmember Brun: I was just going to make the motion.

Committee Chair Chock: Okay. Council Vice Chair Kagawa.

Councilmember Kagawa: Again, it is really what we want to address. Klayton actually hit the nail on the head because for four hundred sixty-seven thousand dollars (\$467,000), you can go to the market and find something comparable. How are you addressing affordable housing at one hundred forty percent (140%) of the median income? You are not doing a thing. At one hundred twenty percent (120%) of the median income at three hundred eighty-seven thousand dollars (\$387,000) for the duplex like that in the great location that it is, it is going to be a deal. We are addressing affordable housing needs. For me, they need to go figure out how we are going to pay for the eighty thousand dollar (\$80,000) difference. Is this Council going to find the two million whatever dollars to make this affordable housing project truly affordable housing? Is our Housing Agency going to have to work with other agencies, State agencies, to try to see if they can get some moneys to leverage against that difference? But certainly, just sitting back approving an affordable housing deal at four hundred sixty-seven thousand dollars (\$467,000), for me, is not acceptable and that is why I am going to be supporting this amendment. All I am waiting to hear is whatever answers the developer has and our County Housing Agency has as to how we make this affordable housing. If not, let us not call it affordable housing, let us approve it, and let us hope that we can maybe put in stipulations where our local residents get first crack at the market lots. But if you want it to be affordable housing, we have to go down because we all live in the real world. For four hundred sixty-seven thousand dollars (\$467,000), you can look around Hanamā'ulu, Līhu'e, and what have you, you can find comparable deals around that figure. We are talking about a duplex and you do not even own the whole lot. I just feel that way. I feel strongly about that and that is how I will be voting. Thank you, Committee Chair Chock.

Committee Chair Chock: Thank you. So just a request to the Housing Agency, Mr. Mackler, the Council is looking for some options and limitations that come along with them as well. I will be entertaining that motion.

Councilmember Brun moved to defer Bill No. 2644, seconded by Councilmember Yukimura, and carried by a vote of 4:0:1 (*Councilmember Kawakami was excused*).

Committee Chair Chock: Motion passes. This concludes the business of the Planning Committee. The Planning Committee is adjourned.

There being no further business, the meeting was adjourned at 12:32 p.m.

Respectfully submitted,



Allison S. Arakaki
Council Services Assistant I

APPROVED at the Committee Meeting held on February 1, 2017:



MASON K. CHOCK, PL Committee